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To: Members of the House Transportation Committee

From: Great Lakes Timber Professionals Association (GLTPA)

Re: Support of House Bills 4976-4978 - Fuel Tax Reciprocity Legislation

Issue:

Several wood-consuming industries are located within short distances (as short as 1 mile) of the Michigan-Wisconsin border. However, despite these short distances, log trucking companies are burdened with onerous record keeping processes under the International Fuel Tax Agreement (IFTA) to record routes used, miles accrued, and fuel purchased as part of the IFTA record process. Because of the limited number of miles driven during short hauls, most border haulers have fuel stations at their home location which drivers utilize nightly to prepare for the next day's activities. Because mill locations and wood yards are permanent, the miles driven to locations in both Michigan and Wisconsin are always consistent and the paperwork rarely, if ever, changes. In comparison, long-haul "Over-the-Road" trucks deliver product and fuel at different locations in multiple states on a regular basis, which more accurately reflects the intended purpose of IFTA.

Background:

IFTA is an agreement among all states (except Alaska and Hawaii) and most Canadian provinces to simplify the reporting of fuel used by motor carriers operating in more than one jurisdiction. The IFTA license offers interstate/inter-jurisdictional motor carriers the following benefits: one set of decals per vehicle, and one quarterly fuel tax report that reflects the net tax or refunds due.

Wisconsin, Iowa, and Minnesota have entered into fuel tax reciprocity agreements to allow certain qualified motor carriers to opt out of IFTA mandates. Specifically, these carriers no longer have the administrative burden of registering under IFTA, carrying an IFTA license, purchasing and possessing a Fuel Tax Trip Permit, or compiling quarterly returns to report and track fuel purchases and mileage traveled in each jurisdiction, provided they are operating within a 30-mile distance limit of the state border in Iowa, Wisconsin, and Minnesota.

Because of the short distances traveled by log trucks, Great Lakes Timber Professionals Association (GLTPA) is requesting that the Michigan Department



of Treasury be provided with the ability to enter into a similar fuel reciprocity agreement between Michigan and Wisconsin. Under Public Act 124 of 1960, the Highway Reciprocity Board (HRB), which was comprised of the Michigan Secretary of State, the State Highway Commissioner, and the Chairman of the Public Service Commission, had the authority to enter into reciprocal agreements concerning “fees, charges, taxation, operation and regulation of trucks, tractors, trailers, autos, buses, and all other automotive equipment engaged in international, interstate or intrastate commerce upon and over the public highways.”

However, in 2007, Executive Order 15 abolished the HRB and transferred all its “authority, powers, duties, functions...” to the Michigan Department of State. Moreover, current statutory provisions pertaining to IFTA are insufficient to allow the Michigan Department Treasury to enter into a reciprocal agreement that would provide the necessary IFTA exemptions to accomplish the intended goal noted above.

#### Remedy:

After discussions with the Michigan Department of State, it was agreed that because Treasury administers both the Motor Fuel Tax Act and IFTA taxes, it would be appropriate for Treasury, not the Department of State, to have the statutory authority to enter into such reciprocal agreements.

House Bills 4976-4978, introduced by Rep. Greg Markkanen (R-Hancock), amend three areas of state law, respectively:

- Public Act 175 of 2004, the Streamlined Sales and Use Tax Equalization Act,
- Public Act 124 of 1960, the Highway Reciprocity Board Act, and
- Public Act 119 of 1980, the Motor Carrier Fuel Tax Act.

HB 4976 clarifies that PA 175 of 2004 does not apply to an interstate motor carrier to the extent that the carrier is exempt under a qualified fuel tax reciprocity agreement. HB 4977 amends PA 124 of 1960 to allow Treasury to enter into such an agreement for the transport of raw forest products within 30 air miles of the state border. Finally, HB 4978 amends PA 119 of 1980 to reflect the proposed creation of an IFTA reciprocity agreement for qualified commercial motor vehicles.

The bill package should eliminate unnecessary paperwork for both log truckers and state employees. Treasury will have the ability to enter into the details of such an agreement with another state, but will not be required to do so. Additionally, the impact of the bills should be revenue neutral on the state budget and transportation funding, as fuel tax will still apply to fuel purchased in Michigan.

GLTPA member Todd Penrose, forester for Holli Forest Products in Ishpeming, MI described the bills as follows in a quote last winter:

"Holli Forest Products ships wood to sawmills located 10 miles or less across the MI / WI border on a regular basis. The amount of fuel we use in Wisconsin is between 2 and 4 gallons per load". (Florence Hardwoods is about 10 miles into Wisconsin, Superior Michigan Hardwoods is about 2 miles into Wisconsin.) “By the time Holli Forest completes their records and the state does their work to check Holli’s records, it may very well cost the state more money than what’s being spent on the entire cost of the fuel used each trip” stated Penrose. “It simply makes no sense to tie up that much manpower just to create work.”



Finally, Michigan and Wisconsin have had a preliminary discussion about an agreement and formulating an agreement should House Bills 4976-4978 become law. In addition to reducing paperwork for log truckers operating on the MI/WI boarder, state governmental officials in both Michigan and Wisconsin will be able to focus more time and effort on accounts that have a much greater impact on fuel consumption and road use taxes. GLTPA urges support of these bills, and we hope they will prove mutually beneficial to both industry and state government.

Sincerely,

A handwritten signature in cursive script that reads "Henry Schienebeck". The signature is written in black ink on a white background.

Henry Schienebeck  
Executive Director, Great Lakes Timber Professionals Association